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Czech Republic

Livestock and Products

Annual

2003

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Report Highlights:
The lack of no negotiated FSIS/Czech Republic livestock and meat import protocols means no U.S. products reach the Czech Republic. Nevertheless, FSIS inspections and USDA authorization/approval of Czech livestock slaughterhouses ensures Czech products compete in other European markets.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Vienna [AU1]
[EZ]

SECTION I. SITUATION AND OUTLOOK

<u>Summary:</u>

<u>Neither a AMarket@ nor a ACompetitor@</u>

The Czech Republic is neither a market nor a competitor to the U.S. in livestock and meat products. The Czech Republic does not import meat or meat products from the United States because no agreement has been reached on USDA/FSIS export certificates and because of some restrictive import rules. The Czech Republic does not allow meat produced with growth promoters and is adopting EU-style laws on specified risk materials (SRMs).

<u>Cattle and beef market:</u>

<u>Production</u>

Restructuring of cattle breeding in the Czech Republic continues; the number of dairy cows in production areas is declining while the number of suckler cows (due to subsidies mainly is LFA - less favorable areas with sustainable grass areas - SGA) and production of high quality keeps growing. Limit for direct payments on suckler cows has been negotiated with the EU to 90,300 head. AMoving@ cattle through the subsidy system from production areas to highlands helps in reaching another goal, multifunctionality of agriculture, more ecological farming and sustaining grass areas.

Dairy production depends on the utilization of holstein herds and other black and white breed.

<u>Export subsidy for 2002</u>

The State Agricultural and Intervention Fund exported over 15,000 MT of beef and cattle for over 300 mil. CZK. Export subsidies were used only in the first quarter of 2002. In 2003 there will be no export subsidy provided for beef and cattle.

<u>Subsidies after the EU accession</u>

As a result of the Copenhagen agreement, the new member countries will receive percentage of current EU direct payments as follows: 25% in 2004, 30% in 2005, 35% in 2006. Starting in 2007 direct payments will increase by 10% annually. Payments for current members and new members will be equal in 2013. A compromise was reached between the EU and the accession countries, allowing them to top up direct payments from their national budget by additional 30%. There are political discussions whether or not the Ministry of Finance will release financial resources for those additional 30% on direct payments.

The Copenhagen summit in December 2002 laid out the conditions (production quotas, level of direct payments and volume of structural subsidies) for Czech agriculture after the accession to the EU.
The table below shows production limits for direct payments:

Quotas, limits	**Agreement with the EU**	**Current Situation**
Milk (MT)	2 682 143 (after 2006: 2 737 931)	2 655 587
Suckler cows (heads)	90 300	100 333
Slaughter premium (heads)	483 382 27 380	358 412 12 046
Special beef premium (heads)	244 349	191 109

Production quotas are based on the size of Czech agriculture between 1995 - 2000.

Trade

The Czech Republic is net cattle and beef exporter. Exports are headed to the EU and Eastern European countries such as Romania, Bulgaria, Estonia and Bosnia-Herzegovina. Cattle and beef are imported predominantly from Slovakia.

Export in 2002:

	In MT	**In mil. $**	**To countries (in %)**
Cattle	10,916	18.5	Germany 21%, Italy 21%, Greece 14%, Bosnia & Herzegovina 14%, Hungary 9%, Netherlands 9%
Beef, fresh or chilled	58	0.22	Romania 43%, Bulgaria 22%, Estonia 13%
Beef, frozen	6,307	10.7	Bosnia & Herzegovina 67%, Bulgaria 9%, Slovakia 8%

Import in 2002:

	In MT	**In mil. $**	**From countries (in %)**
Cattle	2,476	2.9	Slovakia 98%
Beef, fresh or chilled	1,565	3.1	Slovakia 87%, Denmark 10%
Beef, frozen	159	0.7	Slovakia 46%, Australia 29%, Austria 11%, Germany 11%

Prices

Prices of beef fluctuated in 2002 based on two occurrences of BSE in the Czech Republic. In 2003 prices start to rise and in April 2003 are higher than the average prices in 2002. Domestic consumption of beef and export are expected to grow, which will result in higher prices.

Average Market price/kg in CZK
(Exchange rate: July 2003: 1 USD = 27.8 CZK):

	1999	**2000**	**2001**	**2002**	**2003 (Jan-April)**
Slaughter bulls (farmer=s prices)	37.87	40.31	33.81	37.29	36.77
Slaughter cows (farmer=s prices)	25.24	27.05	21.40	21.05	19.29
Beef sirloin (processor=s prices)	87.71	94.56	87.61	87.64	83.62
Beef sirloin (consumer=s prices)	118.40	122.19	123.22	123.31	120.19

BSE

The Czech Republic prohibited using of meat and bone meal (MBM) in feed mixtures in 1991. In February 2001, after a major outbreak of BSE in the EU, the Czech Republic started testing on BSE. In June 2001 there was a first case of BSE in the CR. So far 380,000 animals have been tested and only 5 have been positive on BSE.

The Czech Republic tests:
- all slaughtered animals older than 30 months
- all necessarily slaughtered animals (sanitary slaughter) older than 24 months
- all animals with clinical signs of a neural disease older than 20 months
    - randomly selected cadavers older than 24 months - total number 2400 heads according to Regulation 999/2001/ES based on the total number of cattle

Swine and pork market:

Production

As a result of higher pork prices towards the end of 2002 farmers grew more swine in the first half of 2003 which resulted in higher supply than demand. As of July 2003 prices have been stabilized and the State Agricultural and Intervention Fund does not expect to fulfil CR=s quota for export subsidies.

Export subsidy for 2003

Towards the end of 2002 the Czech government set conditions for export subsidies on swine and pork in 2003. In the first quarter of 2003 the CR exported almost 4,000 MT of live swine worth of 29 mil. CZK (Exchange rate: July 2003: 1 USD = 27.8 CZK) and almost 13,000 heads of piglets for 5 mil. CZK. In the second quarter the CR exported 20,000 heads of piglets for 8.6 mil. CZK. According to the WTO agreement the CR may still use 28 mil. CZK for pork export subsidies in 2003 (total max. amount in 2003 is 71.7 mil. CZK). The State Agricultural and Intervention Fund (SZIF) has approved support for private warehousing of pork.

Trade

The Czech Republic exports swine and pork to former Eastern block countries, mainly to Slovakia, Romania and Hungary. Imports of swine and pork originate in the EU.

Export in 2002:

	In MT	**In mil. $**	**To countries (in %)**
Live swine	7,118	9	Slovakia 47%, Romania 36%, Hungary 14%
Pork	16,106	30	Slovakia 64%, Romania 12%, Hungary 11%, Estonia 3%

Import in 2002:

	In MT	**In mil. $**	**From countries (in %)**
Live swine	198	0.9	France 90%, Austria 6%, Germany 3%
Pork	24,142	45	Germany 38%, Denmark 22%,

Prices

Since fall 2002 prices of slaughter pigs have been falling reaching the bottom at the beginning of the summer. This price drop is caused by higher supply than demand and farmers will have to reduce the number of their herds in order to increase prices again. For comparison, in April 2001 average price of 1kg of pork was 50.23 CZK, (Exchange rate: July 2003: 1 USD = 27.8 CZK) in April 2002 it was 41.19 CZK and in April 2003 it was 34.45 CZK. The government increased import duty on pork in November 2002 and started subsidizing export of slaughter pigs in the first half of 2003.

Swine consume one quarter of total Czech grain production.

The following tables shows average price/kg in CZK at various levels:

	1999	**2000**	**2001**	**2002**	**2003 (Jan-April)**
Swine (farmer=s price)	30.48	35.26	44.06	32.89	27.46
Pork sirloin (processor=s price)	93.44	101.76	113.83	97.32	85.75
Pork sirloin (consumer=s price)	111.65	120.60	135.85	118.63	103.94

Consumption

Since 1990 consumption of red meats (beef and pork) has been declining and red meat has been substituted by poultry (increased consumption in between 1990 and 2001 by 169 %. Poultry is believed to be healthier. As a result of the State Veterinary Administration=s constant stress on meat safety along with a change in beef production policy (increased number of suckler cows), consumption of beef has risen last year (from 169 MT in live weight in 2001 to 184.5 MT in 2002) and this trend is expected to continue (189MT in 2003 expected). Pork consumption has been constant in the past few years.

Per capita consumption of major food items:

	1990	**1997**	**200**	**2001**
MEAT & PRODUCTS	96.5	81.5	79.4	77.8
- pork	50.0	45.8	40.9	40.9
- beef	28.0	16.1	12.3	10.2
- veal	0.4	0.3	0.2	0.2
- mutton, goat, horse meat	0.6	0.3	0.3	0.3
- poultry	13.6	15.3	22.3	22.9
- game	0.5	0.3	0.4	0.3
- rabbits	3.4	3.4	3.0	3.0
- offal	5.4	4.2	4.0	4.0
FISH	5.4	5.5	5.4	5.4
MILK & DAIRY PRODUCTS	256.2	195.2	214.1	215.1
EGGS, kg (18 pcs = 1 kg)	18.9	17.3	15.3	15.9
FATS & OILS	28.5	25.5	25.3	25.2
- butter	8.7	4.1	4.1	4.2
- lard	6.9	5.1	4.8	4.8
- vegetable edible fats and oils	12.8	16.2	16.3	16.1

Source: Czech Statistical Office (www.czso.cz)

(Exchange rate: July 2003: 1 USD = 27.8 CZK)

PS&D cattle